



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

May 25, 2006

Frank Ginton
Black Sands Holding Company
2939 Tamarac Street
Denver, Colorado 80231

Subject: Notice to Commence Small Mining Operations and Approval of Reclamation Surety, Black Sands Holding Company, Black Sands 47287 Mine, Tasks #1372 and 1403, M0470081, Uintah County, Utah

Dear Mr. Ginton:

The Division finds your notice of intention (Notice) complete and approves the reclamation surety for the Black Sands 47287 Mine. The maps included with the notice only show drill hole and processing facility locations, so these are the only activities allowed at this time. When the mine location has been determined, you will need to amend the notice and submit a map showing the mine location before beginning mining operations.

Before beginning operations, please ensure appropriate approvals have been received from other agencies, such as the School and Institutional Trust Lands Administration and the Division of Water Quality.

Please keep in mind the following regulatory requirements.

- Stockpiling topsoil material prior to beginning activities will help ensure successful revegetation. Even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory surety release.
- If you encounter any archaeological or historical items, you are asked to notify this office of your find. The notice was reviewed by the State Historic Preservation Officer who said there is a possibility the area could contain sites eligible for listing in the National Register of Historic Places. He suggested a cultural resources survey be completed to make this determination.
- Permit fees are due July 30
- Annual reports are due by December 31st.

Page 2 of 2
Frank Ginton
M0470081
May 25, 2006

The Division's web page at <http://ogm.utah.gov> under the Mining Program has a link to the rules you are expected to operate under and other information to assist you in complying with program requirements. In reply, please refer to file number M0470081. If you have questions or concerns regarding this letter, please contact me at (801) 538-5258 or Paul Baker at 538-5261. Best wishes with your mining venture.

Sincerely,

Susan M. White
Mine Program Coordinator
Minerals Regulatory Program

SMW:PBB:pb
Enclosure: Copy of RC
cc: Will Stokes, SITLA
Alan Propp
P:\GROUPS\MINERALS\WP\M047-Uintah\S0470081-BlackSands47287\final\app-05082006.doc

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



RECEIVED

MAY - 5 2006

Div. of Oil, Gas & Mining

---ooOoo---

SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between **Black Sands Holding Co.** the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. **S/047/081** which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.
2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:
 - A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on-site ways, roads, railroads; land excavations; drill sites and workings; refuse banks or spoil piles; evaporation or settling

ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

- B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.
3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.
4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract.
5. If the Surety expressly provides for cancellation or termination for non-renewal:
- A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or
- B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety for the purpose of fully satisfying all of the reclamation



obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.



6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.
7. If reclamation of discrete sections of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.
9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.
10. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.
13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.
14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.
15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.
16. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

COPY

OPERATOR:

BLACK SANDS HOLDING CO
Operator Name

By FRANK GUNTON
Authorized Officer (Typed or Printed)
PRESIDENT
Authorized Officer - Position

[Signature] 5-3-06
Officer's Signature Date

STATE OF COLORADO)
COUNTY OF DENVER) ss:

On the 3RD day of MAY, 20 06, FRANK GUNTON
personally appeared before me, who being by me duly sworn did say that
he/she is an OFFICER (owner, officer, director, partner, agent
or other (specify)) of the Operator BLACK SANDS HOLDING CO and duly
acknowledged that said instrument was signed on behalf of said Operator by
authority of its bylaws, a resolution of its board of directors or as may otherwise
be required to execute the same with full authority and to be bound hereby.

[Signature]
Notary Public
Residing at 3223 S. MONACO PKWY
DENVER, CO 80232

My Commission Expires: 11/16/2009

J BRADLEY ALEXANDER
Notary Public
State of Colorado

DIVISION OF OIL, GAS AND MINING:

By John R. Baza
John R. Baza, Director

5/9/06
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

COPY

On the 9th day of May, 2006 John R. Baza
personally appeared before me, who being duly sworn did say that he, the said
John R. Baza is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.

Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, UT

February 29, 2008
My Commission Expires:



FACT SHEET



Commodity: Tar sands

Mine Name: Black Sands 47287

County: Uintah

Acres: 5

Operator Name: Black Sands Holding Co.

Operator Address: 2939 S. Tamarac St., Denver, CO 80231

Operator phone number: 303-803-2106

Contact: Frank Ginton, President

Email Contact: Alan Propp at

On Site operator: Alberto Santiesteban

On site operator phone: 303-803-2219

Surety: Cash, Zions Bank through Utah State Treasurer

Dollar Amount: \$18,600

Account Number: Attachment A

Contact: Beth Ericksen, DOGM, 801-538-5318

Tax ID: 20-3673209

Escalation year: 2009

ATTACHMENT A TO THE RECLAMATION CONTRACT

COPY

Cash RECEIPT MINERALS BOND

10,600

Date 7/2/06

Amount	
Permit Number	510471082
Operator	Black Sands Holding Co
Received by	<i>BSH</i>
Signature	I confirm the dollar amount of this check is correct <u>BSH</u>

Washington Mutual Bank	
4556 (10/99)	499156143921 499157 REV4 08/04 8410013384
16-3717/1220	385526953
OFFICIAL CHECK	
MATCH THE AMOUNT IN WORDS WITH THE AMOUNT IN NUMBERS	
<div> WASHINGTON MUTUAL </div> <div> SIX THOUSAND ONE HUNDRED AND 00 CENTS </div>	
*****May 3, 2006 18 THOUSAND 600 DOLLARS AND 00 CENTS *****	
<div> <input type="checkbox"/> State of Utah-DOGM TO THE ORDER OF </div>	<div> <input type="checkbox"/> DRAWER: Washington Mutual Bank </div>
<div> Issued by Integrated Payment Systems Inc., Englewood, Colorado Wells Fargo Bank Ltd, N.A., Los Angeles, CA </div>	<div> AUTHORIZED SIGNATURE REMITTER Black Sand 47287 2006 103 </div>